
L. R. B. & M. JOURNAL

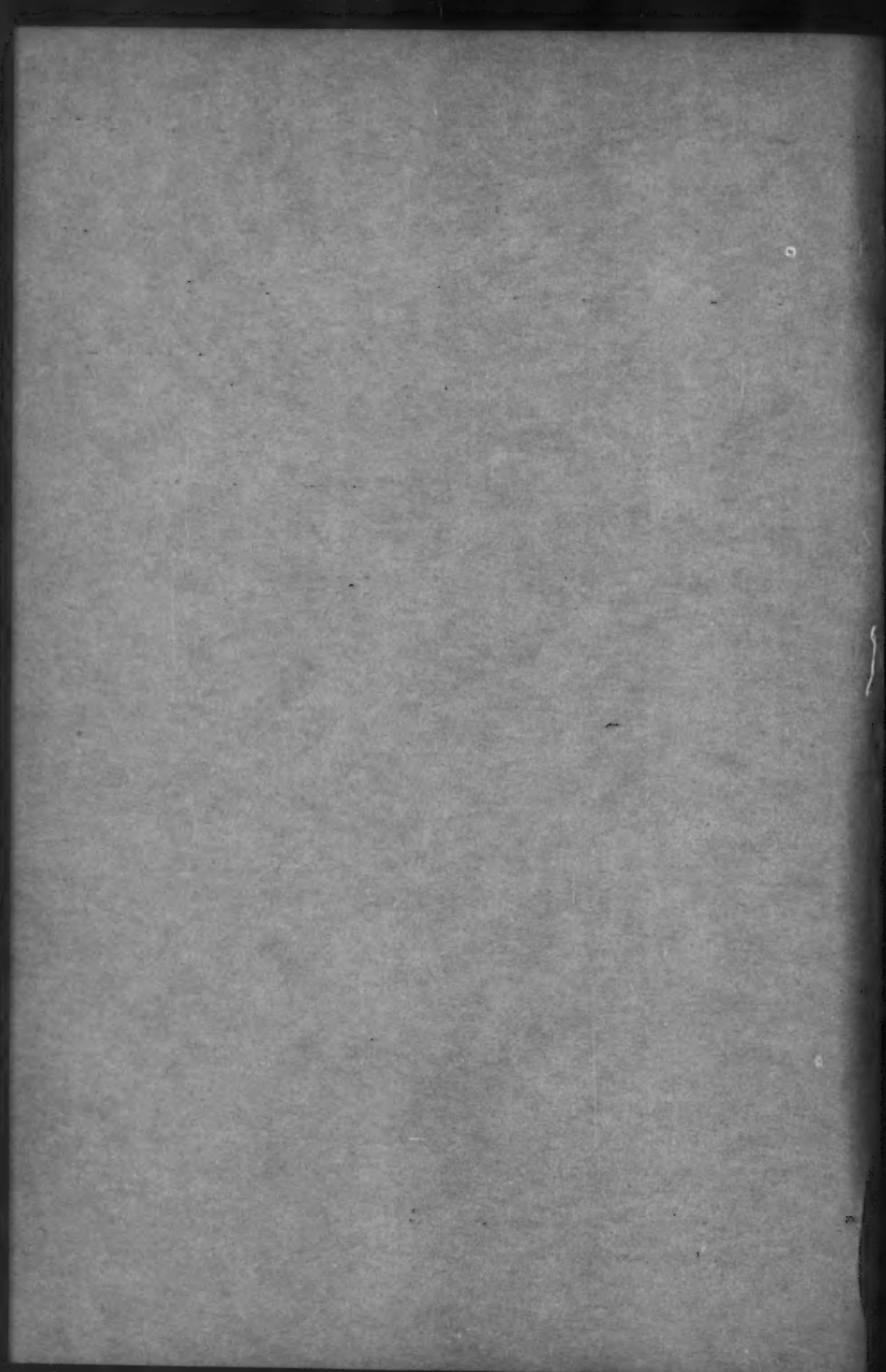
VOLUME 3 NUMBER 5

MAY, 1922

Published by

LYBRAND, ROSS BROS. & MONTGOMERY

Accountants and Auditors



EDWIN S. STUART
PHILADELPHIA

June twenty ninth
1922

Mr. Walter A. Staub,
Lybrand Ross Bros. & Montgomery
110 William Street
New York.

Dear Mr. Staub:

Yours of the 27th with two copies of the I.R.B. & M. Journal received. I have read it very carefully, also your editorial in reference to your life as a student in Girard College. Both are very good and will stimulate many of the students who are there now and those in the future to try and imitate your life and work since you left the College.

I remember you very well when you were in the office of the Girard Estate, and was very much gratified when you got the opportunity and made the position for yourself in the business world which you have.

I will send you some time next week a copy of the "Steel & Garnet" which contains an article written by an alumnus whom I do not know, in which he speaks of a Miss Mac Bride - a Governess in his time - whose life, work and character should be an example to all who

"Steel & Garnet" which contains an article written by an alumnus whom I do not know, in which he speaks of a Miss Mac Bride - a Governess in his time - whose life, work and character should be an example to all who are brought in contact with the boys at Girard College.

With kind regards, I remain,

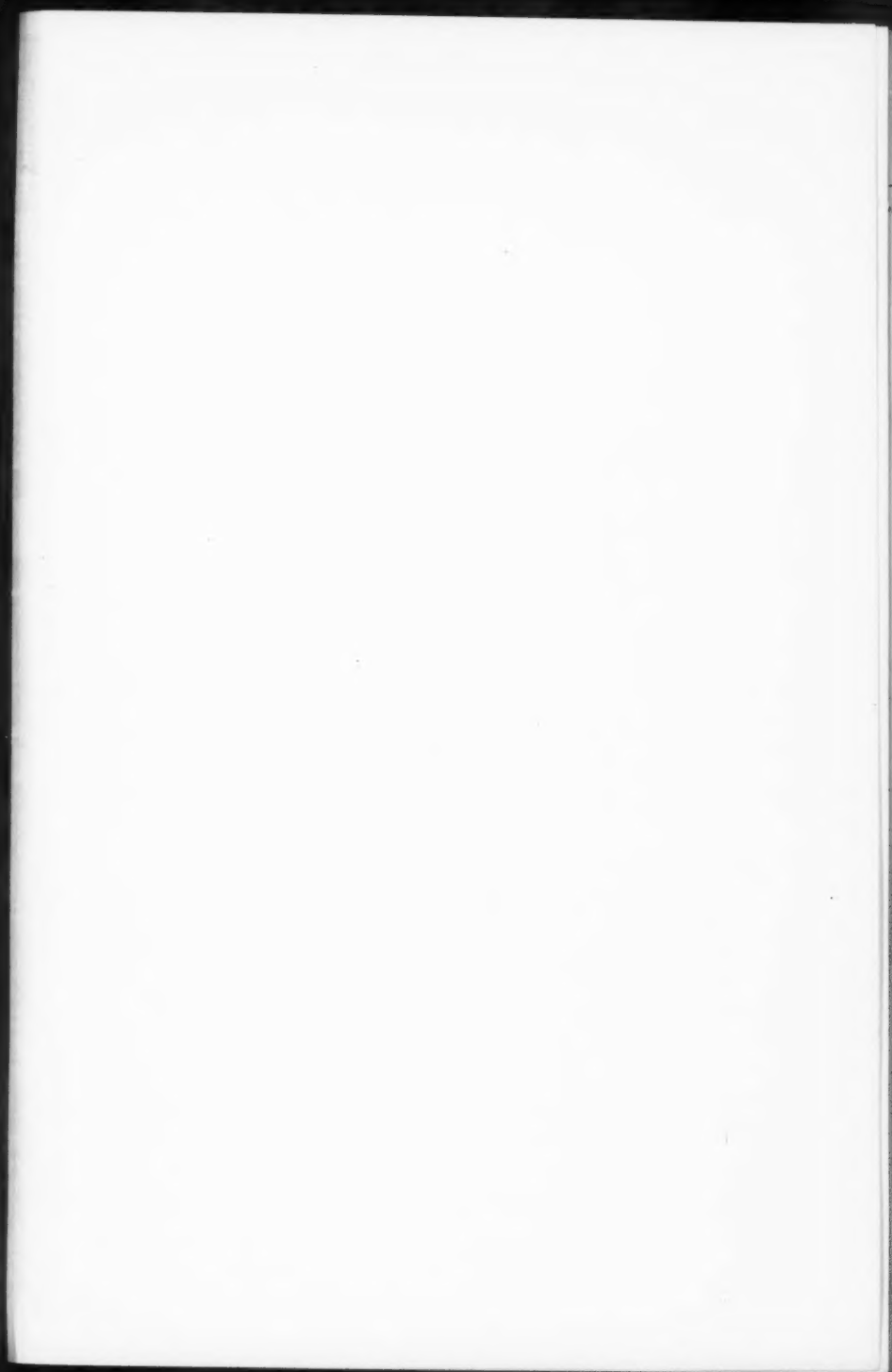
Yours sincerely,

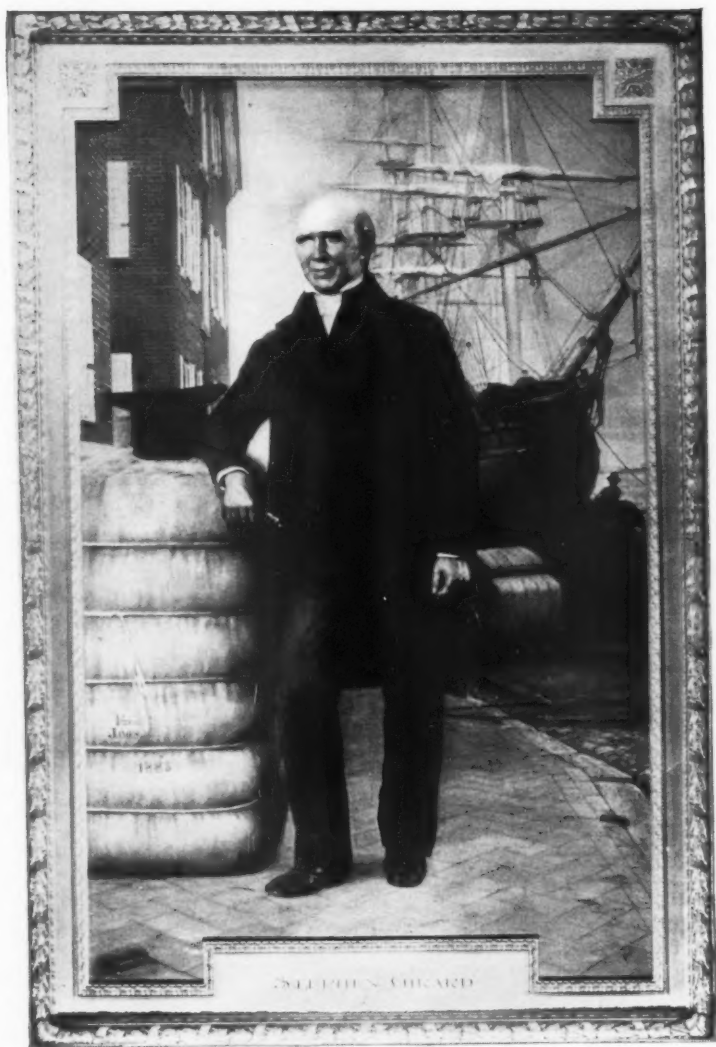
Edw. V. Brewster

ESS
G









STEPHEN C. CHARD

L. R. B. & M. JOURNAL

VOLUME THREE

MAY, 1922

NUMBER FIVE

Stephen Girard, Mariner and Merchant

By E. M. BUSH

(New York Office)

The name of Girard is so closely associated with that of Philadelphia that one can hardly mention the former without thinking of the latter. From a popular brand of cigars to a national bank, from an avenue to a college, numerous and diversified products, organizations, localities and institutions bear that name as part of their titles. Yet it is safe to assert that comparatively few Philadelphians know who Stephen Girard was, while fewer still are acquainted with the story of the remarkable life, achievements and benevolences of one of the greatest of their City Fathers.

Scant space has been given in American history and literature to a man whose industry and thrift rivaled that of Franklin; whose financial assistance saved this country from ruin during the War of 1812 just as surely as that of Robert Morris saved it during the Revolution; who amassed the greatest fortune in America in his time; who left as a living monument a college for orphan boys which is unequalled as an instrument for public service. That man was Stephen Girard, mariner and merchant, as he was wont to be called.

Stephen Girard was born near the city of Bordeaux, France, on the 20th of May, 1750, the eldest son and second child of Pierre Girard and Anne Marie Lafargue. Pierre Girard's forebears for many generations had resided in the little city of Périgueux, in the Dordogne, and had followed the sea from time out of mind, either commercially or in the service of the Royal Navy. His family was of con-

siderable wealth, owning several ships. The father's social position was augmented by his having been knighted and decorated by the King for bravery displayed in a naval battle against the English in 1744.

Young Girard early showed a predilection for seafaring life, but was marked for a profession by his father. As an accident in his eighth year, however, resulted in the loss of his right eye, he was allowed to quit his studies and indulge his preference for open air life. Unfortunately, his playmates' thoughtless ridicule of his altered face left so great an impression on his exceedingly sensitive mind as to cast a shadow over his whole life. He withdrew almost entirely from the association of his fellows. During this period the sympathetic understanding of his brother Jean resulted in a close and lasting intimacy between them.

To this early accident may in large part be attributed the impenetrable reserve which he displayed later, as well as his complete indifference to the cavil or judgment of his neighbors. His precocious dignity, self-reliance and self-assertion were coupled with a passionate and somewhat domineering and violent temper. His mother, who had attempted to modify his character and to teach him self-control, died while he was quite young, leaving him with his lesson yet unlearned. Only a few years later his father selected for a second wife a Madame Girard, already the mother of several children. A growing discontent with home conditions soon led to Stephen's proposal that his father give him a

"venture" on any ship sailing from Bordeaux. His father finally gave reluctant assent to his proposal.

So in 1764, at the age of fourteen, young Girard sailed on a vessel bound for San Domingo, owner of more than three thousand dollars worth of goods on board, and occupying the remarkably anomalous position of cabin boy, and part owner. The charm of the sea fastened itself on him and he studied navigation assiduously, his natural keenness of perception and retentiveness of memory compensating in large measure for his lack of early schooling. So successful was he, both financially and in the study of seamanship, that at the end of his sixth voyage he had attained the rank of lieutenant of the vessel. At this time, although lacking qualifications required by law, both in age and experience, he applied for a license to command. On the 4th of October, 1773, there was given "To Stephen Girard of Bordeaux full authority to act as Captain, Master, and Patron of a Merchant Vessel."

Thus equipped, he sailed from Bordeaux for the last time and commenced a series of voyages between the West Indies, New York, and New Orleans. He soon formed a sort of quasi-partnership with a Mr. Randall, a prosperous New York merchant who had been attracted by his business tact and shrewdness on the occasion of his first trip to New York in July, 1774.

The apparently irrelevant circumstance of war between England and the American colonies led to Girard's first visit to the city of his adoption. In May, 1776, after many days of storm and fog at sea, he found himself in a large bay. He anchored and fired a cannon as a signal. Upon the advent of a pilot, he discovered that he was in Delaware Bay, and that a British fleet was even then cruising outside. He immediately put into the port of Philadelphia,

thereby narrowly escaping capture.

The port being blockaded, he stocked a store on Water Street with the cargo from his vessel, meanwhile having severed business connections with Mr. Randall. Quick to seize a business opportunity, he imported clarets and brandies from Bordeaux and realized large profits on account of the high prices consequent upon the war.

During this time he became acquainted with Mary Lum, a beautiful brunette of sixteen, daughter of a substantial shipbuilder of Philadelphia. Girard was then twenty-six years old. Notwithstanding the difference in their ages and social status, he conceived a sincere and lasting affection for her. Engagement quickly followed acquaintance, and they were married in June, 1777.

When Lord Howe threatened Philadelphia in September, 1777, Girard removed to a small farm at Mount Holly, New Jersey, where he could keep watchful eye on his property and also sell the claret his Bordeaux friends continued to send him. In his enforced leisure he became deeply interested in the colonists' tremendous struggle for liberty, developing an intense admiration for a republican form of government, and a hearty belief in the future of the American nation, which he displayed later on many prominent occasions. He decided to cast his lot with the struggling states and, in 1778, took the "Oath of Allegiance to the State of Pennsylvania."

In 1779, Girard returned to Philadelphia, and his business affairs thence forward prospered amazingly. He entered into an unfortunate partnership at about this time with Joseph Baldesqui, formerly paymaster in Count Pulaski's Legion, to prosecute trade with the West Indies. Baldesqui's utter failure to live up to his contract led to an early dissolution of the firm, matters in dispute being referred to arbitrators. On the strength of Girard's able statement of the case,

the award was made favorable to him.

The first clouds of domestic misfortune loomed on Girard's horizon in May, 1785, when his wife began to show signs of insanity of a melancholy character. With affectionate assiduity he sought her restoration through quiet coupled with medical treatment. The immediate beneficial effects were so great that he soon thought her completely restored. Five

events, Girard had formed a partnership with his brother Jean. This arrangement continued with great profit to both until its termination in 1789. Now, childless and worse than wifeless, labor was the only remedy for Girard's mental anguish. He plunged with zeal into the construction of a splendid fleet of merchantmen, the most improved and best equipped ships then afloat.



GIRARD COLLEGE FOR ORPHAN AT PHILADELPHIA.

years later, however, when he was in the midst of preparation to take her to Europe, the same signs of despondency over her childless condition which had preceded the first weakening of her mind, once more became apparent. She was admitted to the Pennsylvania Hospital in 1790, where she remained, uncured, until her death. Less than a year after her admission to the hospital, she gave birth to a daughter, christened Mary Girard, who lived but a few months.

Previous to these unfortunate

In 1793, although eight years a resident of Philadelphia and identified with the largest commercial interests, Girard was personally little known or understood by his neighbors. His impenetrable reserve and personal dignity, which would not suffer the impertinence of being questioned on private matters, led his fellow citizens to regard him with curiosity, tempered by uncertainty. But an occasion arose which stripped off this reserve and gave them opportunity to gain insight into the character of the

inner man, whom they had so long misjudged. The deadly malady of yellow fever broke out and spread death and consternation through the city. So filled with terror were the citizens that all fled who could, deserting friends and relatives; those who remained refused to attend the sick or dispose of the dead. In the midst of this terrific pestilence when none else would serve, Girard, aided by Peter Helm, took charge of the Bush Hill Hospital, performing personally the most loathsome and menial tasks and working day and night nursing the sick and burying the dead. Twice afterward, in 1797 and 1798, Philadelphia was visited by yellow fever and both times Girard took the lead in fighting the malady, showing himself absolutely fearless in the face of death and absolutely devoted to the public interest. The only gratitude he received was a vote of thanks. Later, none were courageous enough to defend him when public gossips joined the daily press in stigmatizing his name.

By 1807, Girard's business interests were scattered over all the known world. For the sake of safety he began to collect his funds at one central point, and during the next four years succeeded in concentrating in the hands of Baring Bros. & Co at London, nearly £200,000. Not long after he found them either unable or unwilling to transfer these funds to America at his order. Sensing the impending War of 1812, he exhausted these credits by the purchase in London of American stocks and shares in the Bank of the United States. When, in 1812, Congress failed to re-charter the Bank of the United States, Girard saved himself from loss by purchasing the whole outfit for \$120,000 and reopening it as the "Bank of Stephen Girard" with a capital of \$1,200,000. The Girard National Bank in Philadelphia today is the lineal descendant of the "Bank

of Stephen Girard" and thus takes rank as one of the oldest in the United States. During the War of 1812, Girard's bank was the right hand of the national credit, staying panics by timely and liberal expansion when other banks were contracting, and invariably responding to calls for loans.

At the end of 1814 the Government, at the extremity of its resources and with the Treasury depleted, tried to float an additional loan of \$5,000,000. Although failure of the loan meant a disastrous end to the war, and that meant the destruction of the republic, only \$20,000 was subscribed on the closing date. Without further ado, Girard placed his name opposite the whole of the loan not subscribed. Investors in plenty immediately rushed forward to subscribe the full amount of the loan.

Girard's mind was turned for a short time from public and financial affairs, when on the 13th of September, 1815, the final chapter of his domestic tragedy ended with the death of his wife. She had lingered through a painless blank of twenty-five years, and at death was still insane. With his usual self-command, Girard bore his grief without demonstration, except at the burial place, where he "stepped forward, kissed his wife's corpse, and his tears moistened her cheek."

The second Bank of the United States was chartered by President Madison in 1816, but the public lacked confidence in the venture and subscriptions to the stock came in so slowly that the scheme seemed destined to fail. Girard, who had been named one of the Commissioners, then placed his name opposite the total of the unsubscribed stock, amounting on the closing date to \$3,100,000. The same immediate and gratifying effect upon the public was observed as had followed his similar action in 1814.

Girard's last important public service was performed in the interest of

his adopted state. After a period of extravagance by state officials, the treasury was empty, and in 1829 the state faced actual bankruptcy. At Governor Shulze's appeal, Girard advanced \$100,000 on the sole credit of the Executive. When it is realized that the Legislature could have disavowed the Governor's authority, to Girard's loss, the patriotism of his action is apparent.

meet it in the midst of active labor. He died on the 26th of December, 1831.

As soon as his death became known, the city authorities decreed for him a civic funeral. The largest group of mourners which until then had ever gathered in the city attended his funeral, which was held in the Catholic Church at the corner of Sixth and Spruce streets. The priests refused



Drawn by Geo. Strickland.

Engraved by C.C. Childs.

GIRARD'S BANK.

After his seventy-sixth year Girard's health failed rapidly. In February, 1830, he was thrown down and run over by a wagon while attempting to cross a street, and suffered serious injuries about the head. In his weakened condition he was attacked by influenza in December, 1831. When pneumonia later set in, it became evident that he could not survive. He faced death as fearlessly as he had faced life, his chief desire being to

to officiate because of the presence of the Masonic fraternity, so Girard was laid at rest after the manner of the "Friends" for whose faith he held so sincere a regard.

Stephen Girard was heavily built, broad and square shouldered, of middle stature, with strongly marked and rather handsome features. He was scrupulously neat in his person. In manner he was grave but not at all morose. Under no circumstances did

he ever show fear, and he was inflexible under threats or abuse. His passionate temper, sometimes manifested in his youth, was completely under control in his later years.

A notable feature of his character was his great love for children. His habitual reserve was broken down only when alone with them. For a time two of his nephews lived with him, but he was forced to send them away to school lest he spoil them by overindulgence. He acted as guardian to the daughters of his brother, Jean, after their parents died. He also provided education and a home in his own dwelling for several young orphaned girls of respectable families.

Socially he mingled with a small group consisting mostly of French emigrants and royalist refugees. Chief among them was Joseph Bonaparte, brother to Emperor Napoleon I of France and himself ex-King of Spain and Naples. Then came the gentlemen of Bonaparte's so-called court at Bordentown, New Jersey, such as Prince Murat and Baron Lallemand. Scarcely a Sunday passed without witnessing a gathering of the most noted Frenchmen of the day around Girard's table. These Frenchmen entrusted their funds to Girard and Joseph Bonaparte's specie was popularly supposed to be deposited in his Third Street vaults at this time.

A powerful physique permitted Girard to follow a strenuous daily routine in care of his varied interests. By incessant labor he managed to give attention to them all—shipyards, warehouses, bank, farms and large real estate holdings in Philadelphia. He attached importance only to labor, caring for wealth only as a means of accomplishment. He found relaxation in changing from one kind of labor to another.

Girard took the greatest interest in domestic architecture, and almost from the beginning of his permanent residence in Philadelphia, he was occu-

pied in erecting buildings, generally projecting the style and plans himself. He built most substantially and introduced many sanitary precautions for the first time in Philadelphia. His own residence was of very fine construction, among whose unusual features was a marble bathroom. Another innovation was his introduction of coal fires in his house. The use of coal was practically unknown then in this country.

Girard had many employees and apprentices from whom he expected conscientious effort and implicit obedience. In turn he trusted them with business operations of a most responsible character, and gave them exceptional opportunities to travel, and to gain valuable experience and handsome remuneration.

The estate of Stephen Girard amounted at the time of his death to about seven and a half millions of dollars, a fabulous sum for that time. One hundred and forty thousand dollars was bequeathed to members of his family; one hundred and sixteen thousand to various Philadelphia charities; five hundred thousand to the City of Philadelphia for the improvement of its Delaware waterfront; three hundred thousand to the State of Pennsylvania for the prosecution of internal improvements; large tracts of land in Louisiana to the cities of Philadelphia and New Orleans; and numerous smaller bequests to friends, employees, apprentices, and organizations.

The remainder of the estate amounting probably to as much as \$6,000,000, was left in trust to the Mayor, Aldermen and citizens of Philadelphia to erect, improve and maintain a college for poor, white orphan boys. The actuating motive for this bequest can be found in a quotation from his will, "I have been for a long time impressed with the importance of educating the poor, and of placing them, by the early cultivation of their minds and devel-

opment of their moral principles, above the many temptations to which, through poverty and ignorance, they are exposed."

From the personal estate \$2,000,000 was to be used in building the college, and the income from the residuary estate forever thereafter to be applied to the maintenance of the college. Efficient management of the estate is shown by the fact that it has grown, at a very conservative estimate, to over \$50,000,000, while supplying yearly revenue ample for the maintenance of the college. Much of the appreciation, it must be admitted, has been due to the development of a large part of the Pennsylvania real estate into valuable coal lands.

Girard's original plan was for the erection of the college on the square between High (now Market) and Chestnut streets, and between Eleventh and Twelfth streets. In his will are specific and detailed instructions regarding the general layout of the college, with particular care for the permanence, sanitary arrangement, safety and convenience of the main building. Shortly after making his will, he bought the mansion house, outbuildings and forty-five acres of land, known as the "Peel Hall Estate" on the Ridge Road in Penn Township, and by a codicil directed that the college be built there.

Although construction began in 1833, the college was not ready for opening until 1847, the work being somewhat delayed by reason of suits brought by the heirs of Girard against the estate. The litigation involved in the attempt of Girard's relatives to defeat his purpose to establish Girard College and instead to secure the distribution of his large estate to themselves, constitutes one of the country's famous will cases. Daniel Webster represented (unsuccessfully) the claimants when the case reached the Supreme Court of the United States and the validity of the will was sustained.

Much misunderstanding is prevalent in respect to Girard's decree, embodied in his will, "that no ecclesiastic missionary, or minister, of any sect whatsoever, shall ever hold or exercise any station whatsoever in the said college, or . . . ever be admitted for any purpose, or as a visitor." Contrary to general belief, he was far from an atheist or agnostic. Born a Roman Catholic, he refused to sever his connection with that church, although he had the closest sympathy for the religious faith of the Friends. His action is explained in his own words: "In making this restriction, I do not mean to cast any reflection upon any sect or person whatsoever, but, as there is such a multitude of sects, and such a diversity of opinions amongst them, I desire to keep the tender minds of the orphans free from the excitements which clashing doctrines and sectarian controversy are apt to produce; my desire is that all the instructors and teachers in this college shall take pains to instil into the minds of the scholars the purest principles of morality, so that, on their entrance into active life, they may . . . adopt such religious tenets as their matured reason may enable them to prefer."

At the opening of the college in 1847, one hundred students were admitted. Since then as the college has grown and new buildings have been added, that number has been increased until it is now well over fifteen hundred. The boys do not remain at the college beyond the age of eighteen years. By that time they are expected to have completed the prescribed course. The boys admitted to the college are not only educated but are also provided with their living, clothing and all else that is needful.

The school is not a college in the present day sense of the word, its courses being equivalent to those of the best high school and preparatory

schools. In addition, much technical and practical training is given to prepare the students for immediate entrance into the trades or business.

Girard stated that "I would have them taught facts and things, rather than words or signs; and especially, I desire, that by every proper means a pure attachment to our republican institutions and to the sacred rights of conscience as guaranteed by our happy constitutions, shall be formed and fostered in the minds of the scholars." The latter part of the foregoing excerpt from his will is inscribed on a monument on the campus to the Girard College boys—volunteers all—killed in the Civil War.

The interests of Girard boys are those common to all school boys. They have school publications, a student battalion which at times lends a military aspect to the campus, a band which features numerous public affairs in Philadelphia, and athletic teams which compete with those of other Philadelphia schools. Their

baseball and swimming teams are usually exceptionally good.

Certainly no environment could be more suitable for a boy than that afforded by the spacious grounds of Girard College, its completely equipped stone buildings, its strict but kindly discipline, its thorough instruction, and its patriotic and moral training. It is an institution unique in its methods. By his generous bequest Girard has given the needy all the advantages of wealth without lowering their self-respect or making them feel themselves objects of public charity. In effect, his benevolent spirit has adopted thousands of fatherless boys and has borne for them a father's burden. His last act of charity is a fitting crown to a long list of charitable deeds. This institution from which are yearly graduated hundreds of sober, hard-working, God-fearing young men, is an appropriate monument to such an industrious and useful life as that of Stephen Girard, Philadelphia's great Mariner and Merchant.



Suggestions for Improvement

Most clients appreciate it when audit reports contain suggestions for improvement of the client's accounting methods. Similarly, the editor of the *L. R. B. & M. JOURNAL* would appreciate it very much if its readers would send him any suggestions which occur to them for improving the *JOURNAL*, thus making it more interesting or more helpful to our organization. A few suggestions from members of the staff at one

of our offices are already in hand.

Send your suggestions to the New York office, addressing the envelope to the firm and marking it in the lower left hand corner, "Editor, *L. R. B. & M. JOURNAL*." Every member of our organization should feel perfectly free to make suggestions. If you feel too bashful to disclose your identity, send your suggestions anonymously, but at all events send the suggestions, please.

The Preparation of Working Papers

By PAUL EDMOND BACAS

(New York Office)

It is unfortunate that the expression "working papers" is used to designate the data and memoranda prepared during the course of an audit. It is quite possible that partly because of this designation the average assistant feels that the papers are rough notes, or reminders, to be used only during the course of the work.

If some such title as "permanent audit record" were given to the notes and data compiled it might serve as a reminder that the papers prepared should be specific and complete, as one of the important functions of the working papers is their use for reference purposes in the future.

The notes made during an audit can be compared to the notes made by a traveler on a long journey, who expects, at some later date, to give a detailed account of his travels. Imagine the traveler's discomfiture if at the end of his journey an examination of his notes brought out that "an old castle on the outskirts of a small town, etc., etc.," but did not mention the name of the town or the date of the visit. That is exactly what happens when we have a sheet of working paper giving interesting data, which does not indicate the source of the information noted.

Some may think that the placing of a heading on each sheet before "jotting down" the data noted may cause a delay, or that it may not always be practicable to decide quickly on an appropriate heading. It should be understood from the beginning that before noting an item one must have definitely in mind what is being noted and must so indicate at the top of the sheet. In time the sheets will be headed automatically and the fact that the sheet is headed may tend to elim-

inate confusion in the notes by restricting the items to the subject matter. It should be borne in mind that at some later date someone may be misled as to the information on a sheet because the heading does not properly indicate the subject matter of all the material noted.

There are certain general rules which should be followed to make working papers of the greatest value with the minimum of effort and time consumed.

1. All notes should be made on our standard size paper with the exception of data prepared by the client's employees and correspondence, duplicate reports, etc., furnished by others. The temptation to note some information on a scrap of paper with the thought that such data will not be preserved, should be resisted and the information placed on a standard size sheet properly headed. If it is necessary to note certain information on odd size paper because our supplies are not at hand at the moment, such notes should be transcribed to the standard size sheets as soon as possible. Odd size sheets are likely to be discarded as of no value while a certain amount of respect is given to our standard size sheets.

2. Each topic or section of the work should be noted on a separate sheet. In larger audits the subdivision of topics or the sections of the work should have separate sheets. For instance, in a small audit several small petty cash funds, or several small bank reconciliations, might be included on one sheet. In a large audit a separate sheet might be used for each petty cash fund and each bank reconciliation.

3. Calculations which will not be

preserved should be made on scrap paper. The result of the calculations should be recorded on a standard size sheet as soon as possible. Where the calculation will be preserved, it should be made on a standard size sheet with an appropriate heading.

4. The heading placed on each sheet of the working papers should be written with the thought that the caption should be clear to any member of the organization. If the Junior is constantly reminded of this in the early days and has it in mind thereafter he should gradually reach the point when he will write specific headings automatically. There is no better training for the preparation of captions of statements and schedules appearing in the final report.

5. When it is found that the notations made on a sheet are not entirely in keeping with the heading, an amendment should be made in the caption so that the information noted can be located without difficulty.

6. When the notes on a single sheet consist of several items, a few lines should be left between each item so that further information relative to any note may be inserted where it can be easily located.

7. If a notation relates to an amount, it is advisable to set forth the amount at the end of the notation, placing it at the extreme right hand portion of the last line. Reference is often made to amounts in question and it facilitates their location in the notes if the amounts are stated in a definite section of the sheet.

8. Where a number of figures are noted or copied, the figures being grouped into one or more totals, the figures should be totaled and proved after the listing instead of filling in the totals appearing on the other sheet or record. This is also true of any other calculation copied into the working papers. Transpositions and other errors will be detected in this manner

and save many an anxious moment when report schedules are being prepared. As a general rule, totals should not be carried forward from sheet to sheet. A recapitulation should be made of the totals of the several sheets. This facilitates carrying changes through to the total when a change has to be made on one sheet, perhaps an early one, of the lot.

With these general rules in mind, consideration will be given to some specific working sheets.

The principal fault of many working papers is that the sheets are practically a copy of some part of the records or statements found in the client's office. The information so copied has been verified to a certain extent, or in a certain manner, but the extent, or the manner, of verification is generally not indicated in the papers.

The papers prepared in connection with the petty cash count may be taken as an illustration. The heading of the sheet in addition to the words "Count of Petty Cash Fund" should include the date and hour of the count, the name of the custodian of the fund and, where it is material, the location of the fund. The bills and coins will be listed as usual. Where there are many checks in the petty cash drawer, or a few checks which appear to be current and otherwise in order, the auditor should examine these checks carefully and simply note on the sheet "Checks" and only the amount of the individual checks. If the items are very numerous they should be taken off on an adding machine and the total inserted on the sheet, the adding machine slip being attached to the working sheet. Should one or two checks require notations, then after the above-mentioned total it can be noted that there are included the following items, giving details of the items requiring further attention.

It must be apparent to the auditor

that the time to make a careful scrutiny of the checks is when the count is being made, as it is quite likely that a few hours or a few days after the count some or all of these items may no longer form part of the petty cash fund.

The vouchers in the petty cash drawer should likewise be examined when the count is made, and notations should be made of those items only which do not appear to be in order. The word "vouchers" and the amount only is all that is necessary for vouchers which will not require further attention.

Special items in the drawer which are not a part of the petty cash fund should be listed in detail. After totaling the items and proving the count with the records, the sheet should be completed by making a notation of the manner in which the fund is handled and any other point which may be of interest or may give an indication of the system of internal check or lack of system.

Where a working sheet is made in this manner and the accountant constantly has in mind that details should only be listed where the information may be required at a later date, is it not likely that the possibility of doing work automatically will be minimized? The assistant who does his work in this manner will develop the habit of considering the items before listing them and deciding on the "why" and "how" before preparing numerous sheets which have little or no value.

The working papers prepared for the additions to plant in a balance sheet audit may also be taken as an illustration. A large number of sheets with many columns may be filled with a great mass of detail and hundreds of figures, the chief merit of which is that the figures "tie up" with the books. This operation is sometimes called an "analysis" of the plant account whereas it is nothing more than a copy of the records.

If the accountant would consider, before listing, just what is required, his papers would probably read as follows:

Additions to the plant during the period \$137,390.84. Consisting principally of:

Aug. 10, No. 1 (description of item)	\$27,500
Aug. 20, No. 2	18,900
Jan. 19, No. 3	10,600
Feb. 17, No. 4	8,500
Mar. 12, No. 5	6,900
May 5, No. 6	5,400
July 8, No. 7	4,300

The vouchers covering these items have been examined and an inspection of the plant items made. They are all new machines which have been acquired with the thought of reducing labor costs. The labor costs in department "C" where machines No. 1 and No. 2 are used should be examined for the last four months, the period during which these machines have been in use.

The balance of the additions to plant consists of small items, a large part of which have been manufactured in the plant. These items examined in detail for the months of April and December and scrutinized for the other months, appear to represent actual additions. The attitude of the management relative to the allocation of items to additions or repairs seems to be very conservative.

Credits to the plant accounts, amounting to \$16,980, have been examined for all months. The amounts represent a credit of the full cost and a proper adjustment of the depreciation has been made.

A notation of this kind gives information which indicates not only the nature of the additions but the extent of the actual verification of the additions to the plant.

The information noted in the working papers, therefore, should be specific and so arranged and worded that it can be understood by any member of the organization.

Every difficulty in interpreting items noted in the working papers, or in obtaining complete information therefrom, should result in such consideration of the difficulty that it will be the means of improving the papers

(Continued on page 28)

Evasion of Surtaxes

By E. E. WAKEFIELD, JR.

(Boston Office)

Many corporations are having to consider seriously whether large amounts of undistributed income make them subject to the special tax under the Revenue Act of 1921, Section 220, on the ground that they are withholding income from distribution and thereby using the corporate form of organization for the evasion of surtaxes on income of the stockholders. In each of the recent revenue laws Congress has attempted to impose a penalty if profits of corporations were withheld from distribution and, therefore, the surtaxes which would have been paid by stockholders, if the profits were distributed, were avoided.

Provisions of the earlier laws have been of no practical effect, except so far as they might constitute a threat, which may have inclined certain corporation to make distribution. In the stock dividend case, the Supreme Court of the United States held that a stockholder in a corporation cannot be taxed upon income unless he receives it in some form other than a stock dividend of the corporation. Similarly a stockholder could not be taxed, it is believed, under this decision on income retained by the corporation even though the retention is for the purpose of preventing the stockholder from being subjected to surtax.

In the 1921 law, however, a new method of dealing with attempts to evade surtax is worked out by making the corporation itself liable to a 25 per cent tax on income if earnings

are withheld from distribution in order to save surtax of stockholders. The law also contains a clause to the effect that the stockholders may, under certain conditions, elect to be taxed as partners upon the net income of the corporation for the taxable year. In the Internal Revenue bulletin issued April 24, 1922, a new ruling, I-17-242 I.T. 1289, holds that the stockholders have no election to be taxed as partners unless it is found that the corporation exists or is used for the purpose of evasion of surtax. This puts the stockholders in the very uncomfortable position of having to admit that the corporation is used for evasion of surtax, with any possible consequence in future years, as a prerequisite to a request for taxation as partners. In certain cases it may be more profitable for the stockholders to be taxed as partners than to be taxed on any income actually distributed to them and to have the corporation pay the special 25 per cent tax on income.

A very interesting question arises as to whether Congress, intended, in the provision in section 220 in regard to taxation of the stockholders as partners, merely to offer a different method of taxation if the stockholders so desired, or intended to require them to admit use of the corporation for evasion of surtaxes before they had any standing with the Commissioner to ask to be taxed as partners. It is not clear that the ruling of the Department is a necessary interpretation of the law, although it helps, as the phrase is, "to give the law teeth."

A Loan in Disguise

By A. W. VINE

(Detroit Office)

Sometimes a loan is very much disguised, and it is therefore necessary to examine the circumstances attending any unusual transactions very carefully.

In looking over the duplicate sales records of A, a company engaged in the manufacture of machine tools, the accountant noticed that, towards the close of the fiscal year, several large machine tools had been sold to B, an individual. This, in itself, was unusual, as B could not use the machinery himself, nor was he a recognized sales agent. The accountant, therefore, examined B's account on A's books with great thoroughness, and found, as the result of his investigation, that B had paid in seventy-five per cent of the list price of each lot of machines purchased, which payments had been credited to B's account. Also, several cash payments had been made in varying amounts to B which had been charged to his account. The accountant also noticed that other cash payments to B had been charged to selling commissions.

Upon inquiry as to B's relations with A, the accountant was referred to A's president, who, somewhat reluctantly, produced agreements covering each lot of machine tools sold to B. These agreements contained, in general terms, the following:

(1) B agreed to purchase from A certain specified machine tools at designated prices, these being in all cases seventy-five per cent of the list prices.

(2) It was agreed that these tools were the property of B, but were to be stored, insured, and kept in salable condition by A, without expense to B.

(3) It was further agreed that A would act as B's selling agent, and would sell

these machines on B's account to A's customers; that, when paid for by these customers, A would remit to B the amount paid thereon by B, with a further amount representing B's profit in the sale, as outlined in (4).

(4) It was agreed that A should receive as its commission on each sale, the difference between the amount at which the machines were sold to A's customers and the amount at which they were purchased by B, less one per cent per month on the amount paid by B from the date of such payment.

Obviously, the transactions were not sales at all, though they possessed all the earmarks of sales, but loans at twelve per cent per year under agreements having the same effect as trust receipts, whereby the ownership of the machine tools was vested in B, although they remained in the possession of A. A's president admitted to the accountant that the agreements had been entered into on this understanding between him and B, because the company had too large an inventory on hand, and had exhausted its lines of credit at its banks.

BIG FIGURES

An Englishman went to a baseball game, and both sides made one run each during the first inning. The Englishman watched the scoreboard intently, as each team failed to make a run in the second, third, fourth, fifth, sixth, seventh, eighth and ninth innings. The game had gone sixteen innings, and the figure one and the zeros following had left their impression on the mind of the Englishman. Going down the street after the game, a small boy stopped him and asked what the score was. "Oh," said the Englishman, "I lost all track of the game; it's way up in the millions."—*The Argonaut*.

The Work of the Stock Exchange*

A Book Review by

E C. HALTER

(*New York Office*)

A book, bearing the above title, has been written by J. Edward Meeker, Economist to the New York Stock Exchange, on the operation of this financial institution, which now shares world leadership with the London Stock Exchange. The book is a comprehensive and informing treatment of its subject, from the origin of securities and the crude handling of them by the Stock Exchange, in its beginning, right up to the complex but efficient handling and distribution of securities at the present time.

The first chapter deals with the nature of securities as distinguished between governmental and corporate, tracing government financing in the 16th and 17th Centuries; of borrowing from private money lenders, such loans frequently being made on the pledged collateral of royal jewels or of the assignment of specified taxes; and the age-old fallacy of producing money by the printing press irrespective of its economic results, a policy now in vogue with some of the Continental European governments. It follows right through to the present method of distribution of government securities among all classes of investors.

The formation of corporations is shown to be relatively modern when compared with the simple business partnerships which are older than the Pyramids. This treatise describes the formation and financing of corporations.

Reference is made to the early British companies, in the early 17th Century, such as the Plymouth Company and the Hudson Bay Company,

which were formed in colonizing America. It traces the enlargement of the method of financing until we have different classes of preferred and common stock, of par and no-par shares, and bonds of different classes; also, the respective rights and liabilities of different holders of these securities.

As to the development of the New York Stock Exchange, it shows how the natural port facilities made New York City the gathering place for traders. Merchants assembled as early as 1752 in a general meeting place or "exchange" dealing in meal and slaves. This beginning of a general trading market and securities market received a great impetus at the time of the Revolution when a heavy national debt was created. The first organization was formed in 1792 and an agreement drawn up, signed by twenty-four brokers, which is still preserved in the archives of the Stock Exchange. The development of the railroad, necessitating the marketing of securities, the increase of the national debt at the time of the Civil War, the industrial expansion between 1850 and 1900, and lastly the tremendously active markets made necessary during the World War, proved the worth of the Stock Exchange. Reference is also made to the demand for American securities in European markets during the period of our industrial expansion, due to the limited capital here during that period. It goes on to explain in detail the increases in size of the Exchange's trading quarters, explaining the duties of brokers, dealers, odd-lot traders, floor brokers, specialists, etc.

*A recent publication of the Ronald Press Co.

A typical investment transaction is gone into in detail, showing the various steps from the time the order is placed by the customer until its execution and its being recorded on the tape, advice to customers, etc. It also explains trading on margin, which, in effect, is really a credit transaction and compares with credit as extended in general commercial usage. Short sales and margin calls are also explained and concrete instances given of the value of short sales, showing how they stabilize the security market and proving the fallacy of the many legislative attempts against it.

Mention is made of the origin and the operation of the floor trader and the "specialist." The function of the odd-lot broker, and dealing in odd-lots, are fully explained.

The chapter on the bond market, besides dealing with the different classes of bonds, such as debentures, convertibles, etc., also explains the method of quoting, and trading in, bonds on the Exchange, showing their division as to Liberty Bond, Foreign Bond and Corporation Bond booths.

Two other interesting chapters deal with the operation of the Stock Clearing Corporation. First, the old method of settlement between buying and selling firms by comparison of each individual trade is described. Then the present method of settling by way of the Clearing House is explained, details concerning failures, day loans with banks, etc., being given. The considerable saving of time in banking accommodations is brought out. The Stock Clearing Corporation does not finance the daily purchases and sales of securities but, in effect, acts as an agent of its members, settling daily the debit or credit balances. This corporation also acts in the clearance of loans.

The commission house is then explained by describing a typical commission office, that is, the customer's room, cages, bookkeeping department, wire rooms, etc. Many of the detailed

office transactions are explained, such as keeping of margins, transfers, box, and charges for interest and commission.

A chapter is devoted to the government of the Stock Exchange, its constitution, committees, disciplinary methods and its responsibility to the public.

The appendix summarizes some very interesting statistics and definitions of financial matters, particularly anything dealing with the Stock Exchange, and the book ends with an exhaustive bibliography.

SECURITY ISSUES

The past few months have witnessed a marked revival of the issuance of new securities. Quite a number of examinations have recently been made by our various offices in this connection. Among the more recent issues, the bankers' circulars for which stated that we had made the accounting examinations incident to the flotation of the securities, may be mentioned the following:

- \$5,000,000 The American Metal Company, Ltd., 7% Cumulative Preferred Stock
- \$3,500,000 Saks & Company, 20 Year Sinking Fund Mortgage, 7% Gold Bonds
- \$2,500,000 Walworth Manufacturing Company, First Mortgage, 7% Sinking Fund, Gold Bonds
- \$2,500,000 The Autocar Company, First Mortgage Sinking Fund, 7% Convertible Gold Bonds
- \$2,000,000 Valvoline Oil Company, Fifteen Year 7% Gold Debentures
- \$1,000,000 John Dunlop's Sons, Inc., First Mortgage 20 Year 7% Sinking Fund Gold Bonds
- \$600,000 Birdsboro Steel Foundry & Machine Company, Ten Year 6% Sinking Fund Gold Notes
- \$600,000 The Milton Manufacturing Company, First Mortgage 8% Sinking Fund Gold Bonds

The L. R. B. & M. Journal

Published by Lybrand, Ross Bros. and Montgomery, for free distribution to members and employees of the firm.

The purpose of this journal is to communicate to every member of the staff and office plans and accomplishments of the firm; to provide a medium for the exchange of suggestions and ideas for improvement; to encourage and maintain a proper spirit of co-operation and interest and to help in the solution of common problems.

PARTNERS

WILLIAM M. LYBRAND	New York
T. EDWARD ROSS	Philadelphia
ADAM A. ROSS	Philadelphia
ROBERT H. MONTGOMERY	New York
JOSEPH M. PUGH	Philadelphia
WALTER A. STAUB	New York
H. H. DUMBRILLE	New York
JOHN HOOD, JR.	Philadelphia
WALTER S. GEE	New York
T. B. G. HENDERSON	Chicago
HOMER N. SWEET	Boston
GEORGE R. KEAST	Pittsburgh

OFFICES

NEW YORK	110 William Street
PHILADELPHIA	Morris Building
CHICAGO	Harris Trust Building
BOSTON	261 Franklin Street
PITTSBURGH	Union Bank Building
DETROIT	Book Building
WASHINGTON	Union Trust Building
SEATTLE	L. C. Smith Building

Accountants' Conventions

Few things are more broadening for the man in professional practice than meeting from time to time with his fellow practitioners. Members of a profession, when imbued with the right spirit, look on each other as members of a fraternity with like aims and high purposes than as competitors in a death struggle for "the survival of the fittest." It would be helpful to any member of our staff to attend the annual convention of the American Institute of Accountants or of the National Association of Cost Accountants. Visitors who are not members of these organizations are nevertheless welcome to attend the

sessions (other than business meetings) of their annual conventions.

The American Institute of Accountants meets in Chicago, September 19 and 20, 1922. Its program has not yet been published but it will undoubtedly contain a number of helpful papers and discussions on subjects of importance to the public accountant.

For those who are especially interested in cost accounting and industrial management, the National Association of Cost Accountants offers a most attractive program. The Association meets in Atlantic City from September 25 to 28, 1922, and the subjects to be considered include the following:

Actual Costs as Compared with Replacement Costs

The enormous shrinkages in inventory book values revealed by financial reports now being published, emphasize the importance of adopting methods of accounting which will tend to minimize the disastrous influence of value fluctuations, by providing a reserve or "Cushion" to absorb them. Some of the many aspects of this important problem which will be dealt with will be the following:

- The practicability of applying the replacement cost method to all industries and if not to all, the determination of the ones in which it can be used advantageously.
- Discussion of the procedure for determining and applying replacement (market values) of materials used.
- Consideration of the question as to whether profits which are used as a basis for taxation be determined on the actual cost or replacement cost method.

Sales and Administration Costs

It is intended to consider at this session the means of controlling and the proper methods of distributing all the costs (usually called expenses) that accumulate beyond the point of manufacture. Much effort is devoted to determining manufacturing costs accurately and in great detail. It seems that more attention might well be given to the correct application of distribution and administrative costs to the product.

Standards as a Means of Reducing Costs

This session will be devoted to the consideration of all kinds of standards of performance and efficiency as related to cost work. How standards shall be established; how they shall be used; how the differences between actual performance and the established standards shall be analyzed and how corrective methods shall be applied—these and many other phases of this very interesting problem will be thoroughly discussed.

Budgets—Their Construction and Use

This session will deal with the practical prob-

Items involved in the construction of Budgets and how they may be used in the control of business policies. The practical operation of budgetary methods in actual use will be stressed rather than the theoretical advantages of the budget idea.

The Place of Costs in Business Management

- (a) *Costs as the Basis of Management*
- (b) *The Cost Accountant's Function in Business Management*
- (c) *Presentation of Cost Information for Managerial Use*

This session is intended to cover in a practical way the very broad question of the relationship which ought to exist between the cost department and the other departments of the business and between the cost accountant and the general management. A great deal has been said and written in a general way in regard to the position which the cost accountant and the cost department ought to occupy. In this session it is intended to consider the practical methods of putting some of these ideas into operation. The session will be of particular interest not only to cost men who want to improve their own ability to serve their organizations but also to managing executives who are interested in getting full value from their cost departments.

Cost Problems of Specific Industries

This session will be divided into two sections, one dealing with steel costs and the other with textile costs. These industries have been chosen because of their fundamental nature. It is possible that a third session on Boots and Shoes may be added if time and space can be arranged.

We believe that any who plan their vacations so as to spend some time at one or the other of these conventions will derive lasting benefit therefrom. Incidentally, the conventions are not all work and no play. On the contrary, the business sessions alternate with social diversions.

Clients' Century Club

In this issue of our JOURNAL we present another of the Client's Century Club series of historical articles. As stated in earlier issues of the JOURNAL, this series consists of articles describing businesses among our clients which have been in existence for a century or more.

This month's article on "Stephen Girard, Mariner and Merchant" contains a short biographical sketch of one of the most remarkable men in American history, who was one of the great business men of his day, but who has a much more enduring monu-

ment than the mere memory of a vast accumulation of wealth. In addition to marked service of a patriotic order, he founded one of the most remarkable institutions—and at its founding an almost unique school of its class—in our country.

Girard College in Philadelphia, which Stephen Girard planned, for the founding of which he lived and worked, and for the endowment of which he left his large fortune, has now almost three-quarters of a century of service-ful history behind it and has vistas of still greater service before it.

For whatever success in life may have come to him, and for the enlarged capacity for the proper use and enjoyment of life, the writer of these lines feels that he is in large measure indebted to the great-hearted bounty of Stephen Girard and to the unusual training given its students by Girard College. Because of the years spent at Girard College and the several years later spent by him in the efficient office of the Girard Estate as a member of its staff—now almost a quarter of a century ago—it is to the writer an especial pleasure that the Girard Estate is one of the esteemed clients of our firm. W. A. S.

A Duplicate National Organization of Accountants?

Recently one of the members of our firm received a letter from a fellow accountant, suggesting that he become a member of the American Society of Certified Public Accountants. This is a new organization, concerning the need for which considerable doubt has been expressed among accountants.

As the reply made to the above-mentioned letter may be of interest to our organization, it is reproduced herewith:

Dear Mr. _____:

I have your letter of April 20th, suggesting that I become a member of the

American Society of Certified Public Accountants.

I am always interested in every movement for the good of our profession which is evidenced by the fact that I have been a member of the Pennsylvania Institute of Certified Public Accountants for almost twenty years and have been a member of the American Association of Public Accountants and of its successor, the American Institute of Accountants, for almost as long a time. During the time that I was located in Chicago, I was a member of the Illinois Society of Certified Public Accountants, and for some years past I have been a member of the New Jersey Society of Certified Public Accountants, though circumstances have made it difficult for me to attend very many of the last mentioned Society's meetings.

I have attended various conventions of the national organization, and have also from time to time contributed to the *Journal of Accountancy* and other accounting periodicals. I mention the foregoing merely to indicate that I have been interested in the welfare of the profession and not merely engaged in active practice.

I must confess that I cannot see much purpose to the organization of the American Society of Certified Public Accountants. The men, who have been most active and most influential in the American Institute of Accountants and its predecessor, the American Association of Public Accountants, are the ones who were most active in securing the passage of C.P.A. laws in the various States, and who have done their utmost to make the standing of the public accountant in the estimation of the public as high as possible.

It seems to me a pity that there should be two national organizations with the division of effort and interest that such duplication is likely to cause. It doesn't seem to me that in substance the purposes of the American Society of Certified Public Accountants, so far as they are for the best interests of the profession, can be very different from the objects of the American Institute of Accountants.

Personally, I should feel that I would be doing the profession a disservice by encouraging the formation of a rival organization, and every added application for membership is such an encouragement. I must, therefore, decline your kind suggestion that I make application for membership in the American Society of Certified Public Accountants.

I have written you somewhat at length concerning this matter so that you might understand the reasons for my action.

Very truly yours,

Playful Publicity

Henry Ford doesn't often run the page ads in the *Saturday Evening Post* or other periodicals of national circulation which automobile manufacturers generally appear to find needful for the marketing of their output. He doesn't need to, for he has a larger volunteer publicity force working for him than the largest paid force of any other manufacturer. For him "every knock is a boost" and the Ford jokes which are constantly being told, and which circulate from one corner of the country to the other, do more to keep the name of Ford before the buying public than any paid advertising medium could do. Strange, too, that with all the fun poked at the Ford car there are more people today who wish to buy it than ever before.

The foregoing reflections brought us much gratification when our attention was called to the playful mention of our firm name recently in the Men and Business column of the Philadelphia *Public Ledger*. The well-known financial writer, Mr. Richard Spillane, presides over the column mentioned and in the issue of May 25th, he made some comments on the numerous examinations which are made of the securities held by trust companies and State banks in Philadelphia.

After telling of the rather unusual sight of a gentleman of prominence sitting in an automobile on Chestnut Street blithely cutting coupons—and lots of them—quite oblivious to the noonday crowd passing up and down the street, Mr. Spillane describes in semi-humorous vein the continuous round of examinations to which the securities of trust companies and State banks are subjected. In part, his comments, which included passing mention of our firm name, were as follows:

Speaking of coupons, somebody ought to do something to protect the bonds and the stocks and other securities in trust

companies and State banks from the manhandling to which they are subjected. Gentlemen from the Orphans' Court come around and dig them out and turn them upside down and examine them front and back and pass them from one to another and thumb them and not infrequently leave the prints of their fingers on them. Then other gentlemen from the Court of Common Pleas come around and go through the same performance, only more so.

A member or members of the board get an itch to see the securities and never know satisfaction until every piece of the precious papers has been put on parade. A clearing-house examination demands another exhibition of the securities. All this stirs the State Bank Commissioner to action. He sends from two to a dozen men. There is no rest for the securities when those gentlemen are around. They are pawed over, the pins are pulled out of them and the pins are stuck into them until they become more and more sieve-like.

Then a crew from Lybrand, Ross Bros. & Montgomery or some other certified public accountancy concern swoops down on them and thumbs them and punches more pin holes in them and counts them and stacks them up and then counts 'em once more for luck.

We are indebted for "them few kind words" and hope to see more of them.

Income Tax Procedure, 1922

(A reprint of a review which appeared in the New York Times ANNALIST of April 10, 1922)

Good Americans, even if they regard the income tax as inquisitorial and otherwise obnoxious, will pay it cheerfully, and Mr. Montgomery shows them the best way to estimate its proportions. It is sadly true that we have had five tax laws in less than nine years, and, as Mr. Montgomery bewails, "no one is satisfied." The imposition of taxes never yet has been known to create enthusiasm, except among those who rejoice in exemption, and if the income tax which the Revenue Act of 1921 is enforcing just now does not complete the happiness of the people, no doubt Congress will exert itself this year in the direction of new and original taxation.

Mr. Montgomery is quite right when he recommends that even should the income tax be superseded by a general sales tax the salaries of all responsible officers of the Bureau of Internal Revenue should be increased to insure greater efficiency and to retain the services of competent men. He approves of the officials generally, but he hints darkly at one employee of the bureau whom he would dismiss summarily. The identity of this unfortunate gentleman is not vouchsafed.

Mr. Montgomery has done his work well and thoroughly. He has given us the details of all preceding laws on income taxes, and he is so up-to-date that any taxpayer has but to devote himself to a study of his presentments to be *au fait* with his responsibilities. The book contains 1,911 pages of information, none of it redundant. No part of the subject is left untouched. The chapter on penalties will be read with misgivings by nervous citizens, who, however, may be comforted by the assurance that the Commissioner will take into consideration the nature of any error or misstatement made by the taxpayer, and will not order him off for instant prosecution, which means ultimately fine or imprisonment, or both.

This is not the place to discuss the controversial points which might be raised on taxation generally, and the impost under discussion in particular. It need but be said that Mr. Montgomery has placed at the disposal of the public a monumental record of his ability as accountant, lawyer and tax specialist, and, as such, his work will be cited as comprehensive, reliable and authoritative.

Editorial Vacation

With this issue the L. R. B. & M. JOURNAL suspends publication until fall. The next issue will appear in October.

OFFICE NOTES

BOSTON

Mr. Pugh and Mr. Gee visited the Boston office on May 13.

About thirty men are attending the Monday evening coaching classes held simultaneously in Boston and Lowell. Beginning in July it is expected that the classes will be consolidated for the balance of this year's series.

The Stenog's Vacation
(Sung by her boss)

My tYpust is oi hor vacation,
Mytrpist's awau fpr a week,
My trpudt us in hwr vacarion,
Wgile thse damu kews ply hudge
and seek.

CJORAS:

Oy, breng boxk, bting bzek,
Brung becj mu bOnnie ti my, tp
mr;
B)&ng b\$xj, b6ng, bixc,
Pjing bozk m% beinino-o mx; CH
Helk?

—F. & H. News

Members of our staff on a Canadian engagement which involved the necessity of making a brief survey of the income tax laws of the Dominion of Canada made note of the following requirements:

1. All corporations with an income of \$2,000 or more must file a return signed by one of the chief officers of the company. No consolidated returns are required.

2. Any corporation whose fiscal year is other than the calendar year makes a return and has its tax payable computed upon income for its fiscal year ending within the calendar year for which the return is made.

3. The rate of income tax for corporations is 10% on net income (after a \$2,000 exemption) and 5% additional on the amount of tax if the said income is over \$5,000.

4. The business profits tax of 1916,

which bears some similarity to our own excess profits tax, ceased to be in effect after January 1, 1921.

5. Returns are due on April 30, accompanied by a payment of at least one-quarter of the tax. Subsequent payments are required in three bi-monthly instalments.

6. Interest on certain Canadian Victory Bonds is exempt from taxation.

7. Gains or losses from speculation are not considered for tax purposes unless the taxpayer pursues that line of business.

8. Losses from sale of capital assets are not deductible.

9. Dividends received from corporations whose income is liable to tax are exempt from normal tax but the amount of exemption shall not exceed the net amount of such dividends less carrying charges.

SAMPLES OF POETRY FROM THE BOSTON
STONE AGE

Awakening at Morn

To work! To work! No rest for thee,
The voices of my conscience cry,
While lingering on the pillow soft,
My mind is dreaming of the past.

O, thou tormentor of my soul!
Bid thee—be gone! Sweet rest come
back,
That I may be once more my own,
And live and love as in the past.

But in vain—good times are gone!
The clutch of duty grasps my soul,
While lingering on the pillow soft,
My mind is dreaming of the past.

Numbers!

Numbers! Numbers! Endless num-
bers!
They dance before my weary eyes,
Countless! Endless! Hiding their
meaning
To all but those who believe in them.

CHICAGO

By far the gravest item reported in the Chicago office news since the beginning of the JOURNAL's publication is the death of W. J. Puncheon which occurred at his home on West Monroe St. on Sunday afternoon, on May 7th. He had been confined to his home for several days with a slight illness but it is thought that his death was caused by heart trouble.

Puncheon was the oldest man on the Chicago staff, he having been with the firm almost continuously since 1909. He had worked in every office of the firm except the two opened within the last two years. Having been assigned to many of the larger engagements, he was always known as an excellent accountant and as a man of great energy who could push a big job through to a successful conclusion.

He was very loyal to the firm and boasted that it had never lost a cent in fees on any work on which he had been engaged. The last time he was in the office he brought in a check for an engagement he had just completed.

Possessing a keen sense of humor, and being an inimitable story teller, his personality was one that is keenly missed by everyone in the office and will always be remembered by those who knew him.

We wish to take this opportunity of expressing our heartfelt sympathy to his widow who survives him.

For several days our office has been filled with much better than ordinary cigar smoke due to a very happy event that occurred on Saturday, May 13th, when Mrs. Henderson presented the Chief with a fine baby girl, Lorraine. Here's where some one else gets bossed for a change.

On May 6th Miss Helen Davidson and our old friend Henry C. Hawes were married at the home of the bride in Evanston. Mr. Hawes' father acted as his best man. Henry had told me sometime previously that he was thinking of going to Bermuda on his wedding trip as it was not only a very delightful place but on account of the delicious onions which are grown there, and of which he is very fond. I do not know if his bride is a lover of this particular fruit but they cancelled the trip and spent a week at the Morrairie Hotel at Highland Park. They are now installed at their own home in Evanston.

Do not get the impression that the side entrance to our office leads into a restaurant or a day nursery because of the collection of milk bottles at the close of the day. Oh, no! These are merely the remnants of the meeting of the Society for the Cultivation of Fatty Tissue. Most girls are usually dieting to get thin but our office seems to be the reverse. I have it on the authority of one of the high officials in the office that there was an ancient custom mentioned in the Bible of maidens before marriage drinking quantities of milk. Perhaps this is the case here.

And it wasn't St. Patrick's Day either!

Miss Casey, Miss Gilhuly, Mrs. Mahoney and several other girls in the office recently attended "The O'Brien Girl," at Cohan's Grand Theater, as guests of the firm. After the show a delightful supper of corned beef and cabbage was enjoyed by all at the College Inn. The table decorations were in green. The dinner was to celebrate a lull in the great volume of work we have had this spring.

WHEN DO WE EAT?

When last interviewed Mr. Henderson had not decided on an exact date

for the banquet and theater party for the men.

Mr. and Mrs. Chas. R. Nutter are sailing on June 16th for several months' visit to Mr. Nutter's old home in England, if he can get a passport. They also expect to visit several of the Continental capitals.

I am prevented from quoting Charley's remarks on governmental procedure in such cases as this is not asbestos paper and besides he might be forced to join Emma Goldman and her jolly crowd. As Charley had taken out his first papers to become a citizen of this great republic, the British Consul didn't seem to care a continental whether he got back to his native heath or not, and Uncle Sam not having yet adopted him considered him neither fish nor fowl and would have nothing to do with the case. How deucedly provoking these rotters can be, what?

Chas. R. Gallup has recently purchased an estate near Elmhurst where he will reside during the summer and indulge his passion for horticulture and the breeding of prize winning poultry.

DETROIT

The following men have joined the staff of the Detroit office: Mr. A. W. Vine and Mr. R. Saint Clair; and Mr. A. H. Francis has transferred here from the New York office.

Miss E. M. Perkins and Miss J. Burnham also became members of the office staff.

Editor's Note: The JOURNAL's correspondent at the Detroit office writes:

I am sorry that the notes from Detroit are very scarce this month. Due to the large volume of work we had to get out, and also to sickness, we did not have time to compile many notes this month.

The reference to the "large volume of work" can itself be regarded as a news note, indicating conditions at Detroit. Congratulations!

NEW YORK

Mr. Chandler is now wreathed in smiles, the reason being that Mrs. Chandler presented him with a baby boy. Chandler says this boy, as far as could be judged by the power of his lungs, will certainly not be one of the silent workers of the world.

WEDDING BELLS

We were sorry to lose Miss Esther Stokes from the Report Department, but our loss is another's gain, for she is to be married very shortly. On Saturday, the 13th, there was quite a flutter in the Report Department. The receptionist in the front office was kept busy receiving parcels, and not a little curiosity was evinced by all members of the staff. One useful present arrived in the shape of a saucepan with the instructions therein to "Feed the Brute." A beautiful basket of flowers was sent to her by some of "The Boys," and the ladies gave her a very handsome cake dish. A luncheon was also given by the ladies of the staff at The Wilfred Tea Room, 37 Wall Street. Miss Stokes has the good wishes of everybody on the staff.

Mr. C. F. Griffis has left the bachelor class, and will in future run in double harness. He was married on the 20th of the month. Griffis believes in not allowing one's self to get nervous for the ceremony for he was seen working hard around the office until one o'clock on that day. The staff presented Mr. Griffis with a handsome mantle clock with candles to match. Mr. and Mrs. Griffis have our very good wishes for all time.

Mr. S. A. Stahlschmidt is another offender and now has a home of his own. Not the least among his gifts is

a handsome pair of silver candlesticks sent by "some of the boys."

The envelope of a registered letter from Russia was recently handed into our office by one of our clients. The postage on this envelope consisted of five stamps of 22,500 rubles each and two stamps of 7,500 rubles. At the original rate of exchange, namely, \$.50 to the ruble, this would figure out to something like \$63,750.

The partners at the New York office are constant travelers. Mr. Lybrand has just returned from a trip of several weeks to Kansas, most of the time being spent at two U. S. army posts in that state. Colonel Montgomery is now in Europe, his itinerary including London, Paris, Berlin and mysterious Russia. The editor hopes the Colonel can be induced to lift the veil a bit and "let us in" on what is really taking place in Russia. Mr. Staub ever and anon goes to Washington to ascertain whether the Bureau of Infernal Revenue—to quote a kindly outburst by a benign taxpayer—is as yet ready to make refunds, abatements, etc., in sundry tax cases. Mr. Dumbille journeys daily to Flushing, L. I., and Mr. Gee visits Cranford, N. J., nightly to ascertain by moonlight how the vegetables and fruit in their respective gardens are progressing.

TOUGH !

Four members of the L. R. B. & M. New York staff were motoring up to Kingston one Saturday afternoon. Crossing the ferry at Rhinecliff they all left the car and stood in the front part of the boat. When the Collector came around for fares, he collected eighty-nine cents for the car and its occupants. He returned five minutes later with a cynical, sarcastic sneer on his face and said, "Say, Johnny, I thought you said this was a motor car; why it's only a Ford. Here's

ten cents back." Chorus of laughter from the quartette. The owner of the car has not heard the last of it yet.

The L. R. B. & M. JOURNAL is published primarily for our own organization and its mailing list of other than members of the L. R. B. & M. organization is very limited. Some of these extra mural recipients, however, are far afield. From one who lives in China, Mr. George A. Fitch, Associate General-Secretary of the Y. M. C. A. at Shanghai, Mr. Lybrand recently received a letter which included a paragraph reading as follows:

"I am glad you keep sending me the JOURNAL. It is really a remarkable publication. It must be very gratifying, too, to receive such praise as you got from the Shipping Board."

Mr. Robert McLees has resigned from the staff to take a position as Works Accountant with Mergenthaler Linotype Company of 29 Ryerson Street, Brooklyn. We wish Mr. McLees every success in his new undertaking.

SAFETY FIRST

A member of the staff of the New York office on noting the new Boston office regulations regarding smoking, which new rule states that the weed may be indulged in only between the hours of 1 and 2:30 P.M., made the following comment:

"Undoubtedly, for that office, this is a wise regulation, on account of the large quantity of gas generated there."

A CHILLY RECEPTION

O'Gorman, Bush, F. White and Draper, finding the atmosphere in downtown New York too warm one Saturday this month, sojourned to a cool, comfortable refrigerator in the heart of the city (some people do get all the luck, don't they?). Result—

after four hours of this they felt as if they had journeyed to the North Pole. They looked like members of the Ku Klux Klan, minus the masks, dressed up as they were in four retail butchers' coats, and we have no doubt they felt decidedly chilly in the interior. O'Gorman's joints creaked for not a little while after he was released from "storage" and it took him some time to thaw out. "Pity to pick on me," says he, "after the time I spent in the trenches in France." Well, there are lots of things worse than working on the inventory of a packing house.

One of our New York seniors was requested to glance through a report before it was sent to the client. On completing his work he was heard to remark, "extremely periphrastic." Not being sure of the exact meaning of this word, we looked it up and give, for the benefit of the unenlightened, the following:

Periphrastic—A circumlocutory plenastic cycle of an oratorical sonorosity, circumscripting an item of ideality lost in verbal profundity.

PITTSBURGH

We take pleasure in announcing that Mr. William Franklin Marsh, C.P.A., is now Manager of the Pittsburgh office.

Mr. Marsh came to Pittsburgh in June, 1919, from Washington, D. C., where he served during the War in the Pay Corps of the Navy. He had enlisted as yeoman and by hard work earned a commission as Ensign. Prior to the War he served a brief apprenticeship on the staff of the Philadelphia office. Before coming to us he was for some time with the Central Trust Company, Camden, N. J.

His promotion is well-merited and we wish him success.

We welcome Messrs. Maurice C.

Wyatt and Samuel R. Irwin, who were transferred to this office from Philadelphia.

Wyatt is suspected of being somewhat of a joker. The day he arrived it was perfectly clear, but he inquired if it was going to rain and tried to make us believe it looked cloudy.

Irwin graduated from West Point in the Engineering Corps and served in the army abroad where he was promoted to the rank of Major.

We record with regret the resignation of G. E. Sharpe on account of ill health.

Mr. Mohler states that he has planted a garden but so far has raised nothing but a crop of blisters.

SEATTLE

Mr. Burton's activities in the lecture room are increasing, comprising as they did last month, one talk at a local high school, and two at the University of Washington, where he is to deliver another in the near future.

At a recent meeting of the local chapter of the National Association of Cost Accountants, Mr. R. D. White, Seattle manager for Price, Waterhouse and Company, gave those present the benefit of his experience of cost accounting in the salmon industry.

A recent change in the laws of Washington deprived the State Board of Examiners for the C. P. A. degree of the power of authorizing expenditures in connection with the examinations, and placed it in the hands of a commission, appointed by the Governor, which has charge of all examinations for professions and trades requiring a state license. In consequence of this change, the State re-

fused to allow the use of examination papers prepared by the American Institute. A delegation, composed of several of the leading accountants of Seattle, waited on the commission referred to and secured permission to use the Institute papers at the examination to be held in May. Means were also suggested whereby Institute papers could be used in the future without affecting the state law.

At the last meeting of the Washington Society of Certified Public Accountants, changes in the by-laws were approved, authorizing the establishment of local chapters of the society.

WASHINGTON

Many changes have been taking place in the Bureau of Internal Revenue during the last month. Not that it is unusual for changes to be made but these may prove to be of much interest and advantage to the taxpayers. The first was the elimination of the Claims Review Division. Last month we told the JOURNAL readers of the disbandment of the Claims Section. The new change will mean that one more review is done away with—perhaps! We heard a man call this Review Division the "Reverse Division" and it has seemed to be about that. We are hoping this change will expedite the final settlement of many long-drawn out matters. The second radical change to have been made is the disbanding of the Inventory Section. Hereafter, all inventory questions brought up in connection with a particular case will be settled by inventory experts who will be assigned to each Audit Section in the Unit. This action may eliminate the delay of having to wait until a case is transferred to the Inventory Section, having it passed upon and returned to the Audit Section from which it was referred.

New Yorkers, please note!!!

The following conversation was overheard at the Bureau of Internal Revenue:

Mr. A: Do you know where I can locate Mr. Boyd?

Mr. B: What Section is he in?

Mr. A: He is the Chief of the Consolidated Returns Subdivision.

Mr. B: Oh! You mean Mr. Bird.

Mr. A: Sure, that's who I want, Mr. "Boid."

Much confusion is reigning in Washington at the present time due to the coming change in working hours. No clocks are to be turned ahead but everyone is to begin and end work one hour earlier. All the Government departments are adopting the plan, most of the stores but not all of the private offices. We are afraid there are going to be many sleepy heads as a result, as something seems to tell us that, with the clocks not being turned ahead, no one is going to bed that hour earlier.

Mr. Bolinger is having a hard time explaining matters since a letter came in addressed to "Hon. and Mrs. W. A. Bolinger." These Texans can be very reticent and now we want the mystery cleared up.

Major A. G. Moss from Texas has been in Washington for the past ten days. We are always glad to see him come and sorry when he leaves. We know Mr. Haynes would have liked him to stay over at least for another round of golf, as a "little bird" told us that he (Mr. Haynes) was badly beaten in the last game played.

ANSWER TO LAST MONTH'S PUZZLE

If the figures are arranged in the following order, any three figures will total 15, no matter in which angle they are added.

2	7	6
9	5	1
4	3	8

EXCHANGE PROVISIONS OF 1921 REVENUE ACT

The present regulations (No. 62) of the Treasury Department interpret quite liberally the important provisions of Section 202 of the 1921 Revenue Act, pertaining to the determination of taxable income or deductible loss in the case of property exchanges, of reorganizations, or of the incorporation of companies to take over existing businesses or property holdings, the former owners of which are also the stockholders in the new company. That, in applying its regulations to specific cases, however, the Treasury will construe the act strictly is evident from a recent Treasury ruling.

In the case in question (Ruling 1-23-324; I. T. 1336) a cash dividend was paid by Company M to a trustee for its stockholders and by him paid in for the stock of Company O; the stockholders of Company M then surrendered their stock and received new stock equal to one-third of their former holdings in M; they also received the stock of Company O. The Treasury held that this transaction, or series of transactions, could not be deemed an exchange of property in which the stockholders of Company M received no taxable income but they must report as taxable income the dividend paid to the trustee.

Doubtless the transaction could have been handled in a form which would have brought it within the exchange provisions of the Act but, since its form was not actually that of an exchange, the Treasury did not consider it such.

PUZZLE SUPPLEMENT

Mr. Soper, of the New York Staff, has sent in the following alternative to the puzzle which appeared in our March issue (page 9) and the solution of which appeared in the April issue (page 20). As the next issue of the L. R. B. & M. JOURNAL will not ap-

pear before October, our readers have all summer in which to work out the solution to the following problem:

The widow of the man who left the land, as described in the March and April issues of the JOURNAL, was not satisfied with the land she had received. She was entitled to one-quarter of the square plot of ground, and it was agreed to give her a triangular piece. The rest of the land was then to be divided into eight pieces of equal size and shape by means of straight fences. The shape of the remainder of the land, which was originally a square, was:



How was the land divided?

PREPARATION OF WORKING PAPERS

(Continued from page 5)

prepared thereafter, by all members of the organization.

It should be borne in mind that the working papers are the permanent record of the audit and that they should contain specific information so arranged that the data can be located readily. In addition, it must be considered that the information noted should be limited to that which may require further attention or may be necessary for the report.

With these thoughts constantly in mind, the accountant should acquire the habit of preparing clear and concise papers. If at first thought it might appear that it will require more time to prepare the papers in this manner, it will be found in practice that such is not the case, as undoubtedly the number of sheets will be reduced considerably and in addition they will be of infinitely greater value.

e
e

e
l
s
t
r
l
s
i
t

